

# International Economic Trends



## GROOOOWWTH!

Economic growth in France was sluggish between 1994 and 1997, averaging 1.6 percent per year. However, growth accelerated to 3.1 percent per year between 1998 and 2001, spurred by a rise in business investment and domestic demand. Structural reforms and low interest rates due to low inflation and fiscal improvements are generally cited as factors responsible for the turnaround. The turning point for the French economy, 1998, is also the year France won the Fédération Internationale de Football Association (FIFA) World Cup (football, of course, being the nearly worldwide term for soccer). As the *Financial Times* recently claimed, “the win inspired an optimism that boosted France’s fledgling economic recovery.”<sup>1</sup>

Does the World Cup affect economic growth? Can the country that wins the 2002 World Cup expect a boost to its economy? Examining the previous ten World Cup winners (1962 to 1998) provides mixed evidence. As shown in the table, only four of these ten had an increase in the growth rate of real GDP in the year of the championship (relative to the growth rate in the previous year). Interestingly, these were the four most recent winners.

Since the World Cup is held in the late second or early third quarter, any effect on annual economic growth may not be seen until the following year. Comparing the growth rate of real GDP in the year of the World Cup victory with the growth rate the next year indicates the following: four of the six countries that did not see an acceleration in their rate of economic growth in the year they won the World Cup did experience a rise in the following year.

These results provide some support for an association between a World Cup victory and a boost to economic growth. However, all of the countries whose rate of economic growth accelerated in their championship year saw a drop in their growth rate the following year. Does this imply that any acceleration in growth is short-lived? Perhaps. The last column in the table compares a country’s growth rate of output in two four-year periods: (i) the year of the previous World Cup to the year before their World Cup victory with (ii) the year of their victory to

the year prior to the next World Cup (e.g., 1994-97 and 1998-2001 for France). Half of the countries whose growth rates rose in the championship year or the next year had a higher growth rate in the four-year period following the World Cup victory than in the previous four-year period.

But a country should consider this word of caution before it invests in the development of a national football program to raise its growth rate of output: Brazil, the country with the most World Cup victories, has struggled economically compared with a country such as South Korea, which until this year had never won a World Cup game. Real GDP per capita was \$1,742 in Brazil in 1960 and \$1,256 in South Korea. In 1999 real per capita GDP in Brazil was less than half that in South Korea (\$4,479 compared with \$12,086, respectively). Investment in physical and human capital (education) in conjunction with sound economic policies remains the most reliable means by which to raise economic growth.

—Patricia S. Pollard

<sup>1</sup>Minder, Raphael. “French Despair As Soccer Team Meets Its Waterloo.” *Financial Times*, 12 June 2002.

### World Cup Winners and Economic Growth

Year	Winning team	Real GDP growth rate		
		Same year	Next year	Period
1998	France	↑	↓	↑
1994	Brazil	↑	↓	↑
1990	West Germany	↑	↓	↓
1986	Argentina	↑	↓	↓
1982	Italy	↓	↑	↓
1978	Argentina	↓	↑	↑
1974	West Germany	↓	↓	↓
1970	Brazil	↓	↑	↑
1966	England	↓	↑	↓
1962	Brazil	↓	↓	NA

SOURCES: OECD (France and West Germany) and World Bank, World Development Indicators (all other countries).

